

Politics

SALT Cap Repeal Would Be \$40 Billion Windfall for Millionaires

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- Congress says wealthy would reap most benefit from cap repeal
 - House panel will examine deduction's impact in Tuesday hearing
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More than half of the benefit of repealing the \$10,000 deduction cap for state and local taxes would go to millionaires, according to Congress's nonpartisan tax scorekeeper.

Getting rid of the so-called SALT cap would lower the burden for households earning at least \$1 million by \$40.4 billion, or 52% of the \$77.4 billion in additional tax breaks, according to numbers released Monday by the Joint Committee on Taxation.

Some Democrats in Congress want to repeal the portion of the 2017 overhaul that capped at \$10,000 the amount of state and local taxes that can be taken off a federal return.

The numbers were released a day before a panel of the House Ways and Means Committee holds a hearing on how the deduction cap affects middle-income earners and schools funded by local

tax dollars.

The benefit is largely concentrated among top-earning households, according to the Joint Committee on Taxation's figures. About 94% of the breaks generated from repealing the cap would be claimed by taxpayers with at least \$200,000 in income, according to the data.

High-tax States

Republicans in their 2017 overhaul capped the deduction as a way to pay for some of their \$1.5 trillion cut for individuals and corporations. Officials in high-tax states, including New York, New Jersey and California, have said Republicans targeted Democratic-led states to pay for the cuts.

They also have said the cap hurts their residents and causes people to move to lower-tax locations. The title of Tuesday's hearing is: "How Recent Limitation to the SALT Deduction Harm Communities, Schools, First Responders, and Housing Values."

"The federal State and Local Tax Deduction has been a life staple for millions of New Jersey families going back generations," Representative Bill Pascrell said in a statement. "So the Republicans' move to kneecap SALT to give the wealthiest and corporations an unneeded tax break has blistered my state this year, with taxpayers losing money they earned and our communities being forced into making savage service cuts."

The issue has been tricky for Democrats to address, given that most of the benefit of the deduction goes to top earners, at a time when the party's presidential contenders are focused on income inequality and new taxes on the wealthy.

Critics of the efforts to repeal the SALT cap say the issue is overblown. But some accountants found that many taxpayers who were limited by the deduction this year still got a cut because they either were unable to claim the break in the past or qualified for lower rates.

Tuesday's hearing will be the first time Democrats are formally addressing the issue. House Democrats have pushed for legislation that would raise the cap or remove it entirely. Efforts in the House would almost certainly be stopped as soon as they reach the Senate. Senate Finance Committee Chairman Charles Grassley has said he doesn't plan to address the issue.

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